Bond CCP:
Overview of the changes to the IRC / JSE Clear rulebooks

JSE | CLEAR

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Agenda

1. Recap – Overview of the Bond CCP
2. Go-live Approach – Initial scope vs. Revised Scope
3. To-be Clearing Model (as per the revised scope)
4. Changes to the JSE Clear (Clearing) Rules and Directives
5. Changes to the JSE IRC (Trading) Rules and Directives
6. Next steps for the Rules Consultation process

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What is a Bond CCP?

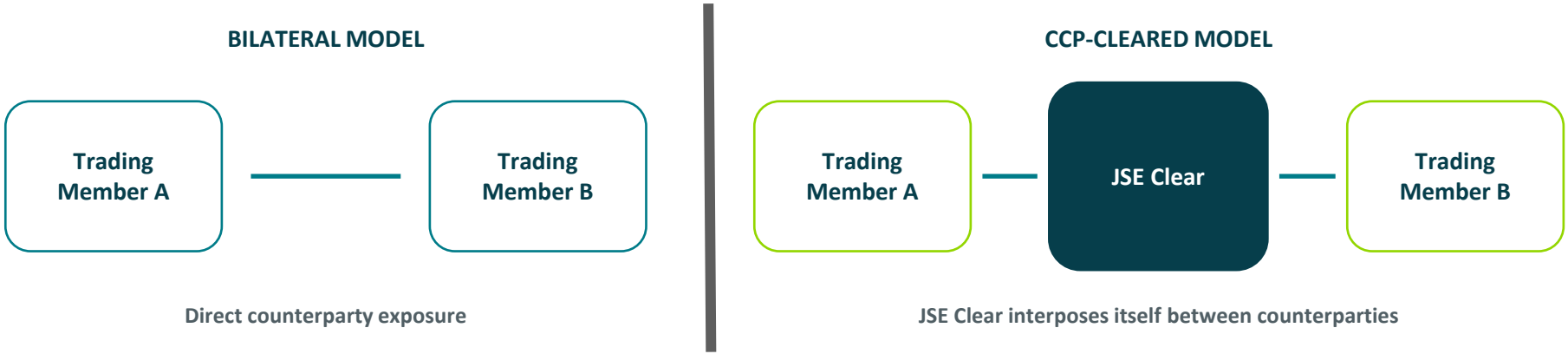
A central counterparty adds a clearing and risk-management layer between counterparties for eligible bond trades.



Once accepted and novated, JSE Clear becomes the buyer to every seller and the seller to every buyer.

How CCP clearing differs from bilateral clearing

The trade economics remain, but the counterparty and risk-management model changes after novation.



Counterparty structure

Direct exposure under the bilateral model changes to exposure through JSE Clear for an accepted cleared trade.

Risk management

The CCP calculates margin and monitors cleared positions and settlement obligations.

Settlement on a trade-by-trade basis

The existing Strate/CSDP settlement process continues with an added CCP and Clearing Member monitoring layer.

What JSE Clear does for a cleared bond trade

The CCP performs clearing and risk-management functions from acceptance through settlement completion.

1

Validate

Checks trade, instrument and member eligibility.

2

Novate

Becomes buyer to the seller and seller to the buyer.

3

Instruct

Determines settlement values and instructs the CSD.

4

Margin

Calculates Initial Margin and Variation Margin obligations.

5

Monitor

Tracks cleared-trade status and settlement readiness.

6

Manage

Manage exceptions default and failed-settlement processes.

The CCP adds the clearing, margin and risk-management layer to the model.

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Revised Bond Clearing Go-live Scope

The Bond CCP Programme developed clearing capabilities for both the Bond ETP market and the IRC Reported Market. Under the original scope, IRC clearing was elective and limited to proprietary trades executed between Primary Dealers. This eligibility criterion was reflected in the JSE Clear Rules and supporting directives.

REVISED NOVEMBER 2026 GO-LIVE

BOND ETP MARKET

ETP clearing removed from scope

- Bond ETP clearing will be disabled for the November go-live.
- ETP trades will continue to settle as per the current operating model.

IRC REPORTED MARKET

Elective clearing available to all IRC Trading Members

- Applies to eligible proprietary IRC trades only.
- Participation remains elective, and client clearing (client accounts) is not included.

Rules amended to align with the revised scope and eligibility criteria.

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Revised scope and eligibility

Only trades that pass every scope and eligibility gate can proceed to clearing.

GATE 1

IRC Reported Market Elective Clearing

Trade is reported in the IRC Reported Market.

GATE 2

Proprietary trade

Trade is for the **Trading Member's own account.** Client clearing is excluded.

GATE 3

Eligible product

Instrument and trade attributes meet the configured CCP eligibility criteria.

GATE 4

Both sides elect

Both counterparties select the trade for clearing.

GATE 5

Members enabled

Each Trading Member has an approved Clearing Member relationship and is enabled.

If any gate fails, the trade remains outside CCP clearing.

Roles and responsibilities

Focus on the responsibilities that change or become important for elective IRC clearing.

IRC Trading Member

Elect to participate; maintain eligible proprietary trade and account data; meet obligations through the appointed Clearing Member; monitor trade and settlement status.

Clearing Member

Approve and onboard electing Trading Members; calculate/collect margin and fees; risk and settlement exceptions; penalties for late settlement obligations, provide cover when required.

JSE Clear

Validate and novate accepted trades; calculate margin and settlement values; instruct settlement; monitor cleared trades; manage risk and settlement exceptions, institute penalties for late settlement obligations, exceptions and defaults.

Strate and CSDPs

Process settlement instructions; commit cash/securities; perform DvP settlement; provide settlement status and support exception resolution.

The current Strate/CSDP settlement process remains, with JSE Clear and Clearing Members adding the clearing, margin and monitoring layer.

Settlement failure vs default event

A settlement failure is not automatically a default event

- A trade may fail to settle for a variety of reasons, including a failure in a linked transaction elsewhere in the settlement chain.
- **A failure to deliver bonds (seller) or cash (buyer) does not, in itself, constitute a default**.
- The margin of the failing party is used to compensate the non-failing party for any losses arising from the failed settlement.

When does a failed trade become a default?

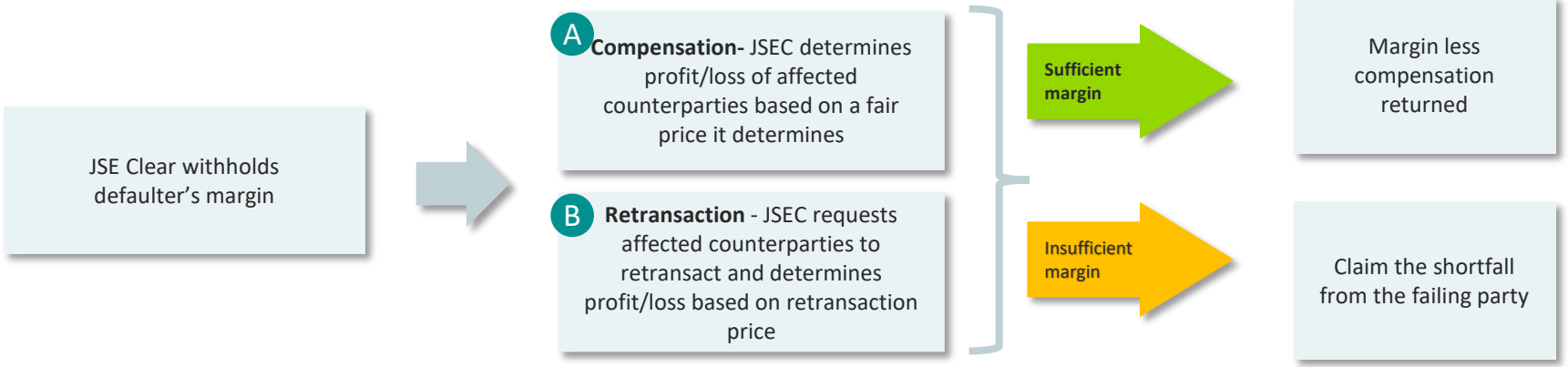
- If losses exceed the available margin and the failing party does not cover the resulting shortfall, a default event occurs.
- The clearing member is then required to meet the shortfall on the trading member's behalf.
- Failure by the clearing member to meet this obligation constitutes a default event.

Other default events unrelated to settlement failure

- Failure to pay margin on a cleared bond trade.
- Involuntary termination of membership.

A failed settlement is an operational event. It becomes a default event only when the resulting financial obligations are not met.

Failed settlement in BAU conditions



Failed trades will only occur on an **exception basis** if sourcing of cover and rolling fail.

If a trade failure cannot be prevented, the non-failing counterparty is returned to the **same economic position as if the trade had settled successfully.**

Trading Member default – Portfolio close-out process

1. JSE Clear withholds defaulter's margin

2. Defaulter's **trades transferred** to its Clearing Member at original traded price

JSE Clear instructs the CSDP to commit to the original and off-setting legs of the transaction

3. JSE Clear **releases the defaulter's initial margin** to the clearing member

4. Clearing member **recoups the cost/losses** associated with taking on the defaulter's trades from defaulter's margin

5. Any profits realized from the trade-out will be owed to the defaulter

Net surplus

6. Surplus margin returned to the defaulter

Net shortfall / disputes

7. Shortfall will be claimed from the defaulter

Any disputes resolved as a civil matter

Clearing Member default – Portfolio close-out process

All uncommitted trades between the defaulter and the original counterparties to the defaulter failed

A **Auction** the defaulter's trades to replace the affected counterparties' trades

Trades successfully auctioned

New trades concluded between the auction winners and the affected counterparties at the auction price

B **Compensation-** JSEC determines profit/loss of affected counterparties based on a fair price it determines

C **Retransaction** - JSEC requests affected counterparties to retransact and determines profit/loss based on retransaction price

- Counterparties who **profit** from the close-out, pay profits to the JSEC
- Counterparties who realise a **loss** from the close-out are compensated using the pooled profits and the default waterfall

If the pooled profits and the default waterfall are insufficient to settle the losses of the affected counterparties, the shortfall will be apportioned across these counterparties

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Overview: Changes to the JSE Clear Rules and Directives

- The JSE Clear rules were previously published for consultation in April 2025 and were aligned with the initial project scope. The rules have subsequently been **updated to reflect the revised project scope** (i.e. deferral of ETP clearing, expansion of clearing for reported IRC trades from PD to PD to include all TMs).

2025 Version (*Consultation Complete*)



JSE CLEAR RULES (and Directives)

- ***Changes proposed:*** *provisions to enable the central clearing of:*
  - *Bond ETP trades; and*
  - *Elective reported market IRC trades (executed PD to PD)*

Vs.

2026 Version (*Consultation Pending*)



JSE CLEAR RULES (and Directives)

- ***Changes proposed:*** *retains the 2025 changes, but aligned to the revised go-live scope:*
  - *Removal of references to Bond ETP clearing; and*
  - *clearing of elective reported market IRC trades expanded to include all TMs*

- The changes to the JSE Clear rules establish the legal and operational framework for JSE Clear to act as CCP for eligible cleared bond trades:

Clearing framework element most impacted by the scope change

ELECTIVE CLEARING:
Eligible reported IRC bond trades may be cleared where both counterparties elect clearing and are trading for own account.

NOVATION:
JSE Clear replaces each side of a cleared trade by novation, becoming buyer to seller and seller to buyer.

MARGINING:
Initial and variation margin serve as key risk management tools, providing protection against potential losses on unsettled cleared bond trade.

SETTLEMENT & DEFAULT:
Rules set out the requirements for settlement, trade rolling, failed trades and management of default.

Nature of the changes across the JSE Clear rulebook

- Below is an indication of the nature (and breadth) of changes made to the JSE Clear rules:



Definitions / General Provisions / Membership: Sections 1 to 3

Terminology adjusted so cleared bond trades sit within the CCP rule framework. Minor changes relating to membership requirements.

Clearing & margining: Section 5

Eligibility, election, novation, mark-to-market, initial margin and variation margin extend to cleared bond trades.

Settlement of cleared bond trades: Section 6

Responsibilities of CCP vs. Clearing Member vs. CSDP vs. Exchange Member, rolling and failed-trade management are formally defined in the rules.

Default management: Section 11

Events of default and consequences are expanded to include the implication of cleared bond trades in the defaulter's portfolio.

Nature of the changes across the JSE Clear rulebook (cont.)

Rulebook Section #	Rulebook Section Title	Key Concepts (either introduced or amended)
Sections 1 to 3	Definitions & interpretation	Enables **cleared bond trades to be treated as part of the JSE Clear CCP framework**, not as a standalone settlement-only construct. Key terminology such as bonds, trade, mark-to-market, CSD/CSDP, clearing, margin and exchange member creates the vocabulary used later in clearing, settlement and default rules.
	General provisions	Makes the rules **binding on JSE Clear, Clearing Members, Exchange Members and others using JSE Clear services**; and enables JSE Clear to prescribe agreements for clearing bonds and derivatives / allows emergency actions to restrict or suspend clearing and settlement of securities where needed.
	Membership	Confirms that **Clearing Members must satisfy various membership requirements** (risk management, operational, financial resources etc. (important because Clearing Members become the payment and margin interface for cleared bond trades)
Section 5	Clearing and Positions	**Clearability**: JSE Clear clears trades on listed markets, subject to contract approval and, for IRC bond trades, the rule 5.1.2 eligibility conditions. This creates a controlled entry point for cleared bonds. **Own-account elective model**: The revised rules enables clearing where both counterparties are exchange members trading for own account and both elect clearing. Client trades are excluded in the initial phase. **Novation**: On acceptance for clearing, JSE Clear replaces each original counterparty. This makes the trade subject to JSE Clear's margining, settlement and default management rules. **Mark-to-market**: Unsettled trades in each bond are marked-to-market at 18h00 each business day, or another time determined by JSE Clear. **Variation margin**: Adverse MTM on unsettled bond trades creates a VM payment obligation. Favourable MTM is offset against initial margin paid or payable on unsettled bond trades

Nature of the changes across the JSE Clear rulebook (cont.)

Rulebook Section #	Rulebook Section Title	Key Concepts (either introduced or amended)
Section 6	Settlement of Cleared Bond Trades	**Settlement principles**: Trade-by-trade settlement through the CSD; Transactions become contractually due to be settled a prescribed number of days after the trade date. **Revised settlement obligations**: Section 6.4 stipulates a range of new settlement obligations (and process deadlines) imposed on Exchange Members / Clearing Members / JSE Clear. **Rolling settlement**: JSE Clear assesses whether exceptional circumstances justify rolling a trade that cannot settle on settlement date and whether the Exchange Member can settle on the revised date. **Failed-trade management**: JSE Clear may determine compensation or require the non-failing party to re-transact. Margin is used first; failing party and then its Clearing Member cover any shortfall where applicable.
Section 11	Defaults	**Events of default**: Failure or expected inability to pay margin or failed-trade shortfalls (in respect of a cleared bond trade) can trigger default consequences. **Exchange Member default**: Clearing Member closes out or transfers trades to itself; JSE Clear may instruct CSDP settlement process. **Clearing Member default (Bond close-out mechanics)**: JSE Clear identifies unsettled trades and original counterparties, ~~may~~ fails the unsettled affected legs, invites non-defaulting Clearing Members to bid in auctions, books replacement trades at auction price, and determines economic gains or losses. **CCP default**: CCP position on unsettled cleared bond trades terminates and trades are reconstituted between original counterparties.

Changes to the JSE Clear Directives

- **Current IRC Directives** contain the existing bond penalty provisions (which remain relevant for non-Bond CCP cleared trades).
- Draft JSE Clear Directives:
    - The directives have been drafted to incorporate the **relevant penalty provisions applicable for Bond CCP cleared trades.**
    - Any applicable penalty is levied within the JSE Clear framework.

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Overview: Changes to the IRC Rules and Directives

- The amendments to the IRC rules reflect the consequential alignment with the JSE Clear clearing rules.
- The amendments establish **two distinct bond post-trade routes**: the current bonds settlement assurance process is retained, while a new central clearing option is enabled for eligible reported market trades

ENABLED:

- Eligible bond trades may be centrally cleared where JSE Clear has published the bond for clearing, both counterparties are trading members trading for their own account, and both elect clearing.
- JSE Clear may margin, mark-to-market, roll or manage failed cleared trades.

PRESERVED:

- Non-cleared bond trades remain managed under the Settlement Authority's existing process, including rolling of settlement, failed-trades, and penalties, and the Bond Guarantee Fund framework.

DISABLED / REMOVED:

- Obsolete settlement margin and top-up margin concepts are deleted. The unused bond central order book settlement/margin construct is removed from the Settlement Authority scope.

Summary of Changes per Section

Rulebook Section #	Rulebook Section Title	Key Concepts (either introduced or amended)
Section 2	Definitions and Interpretation	• Adds “cleared bond trade”. • Extends “clearing”, variation margin and related concepts to cleared bonds. • Confines the Settlement Authority and failed trade definitions to non-cleared trades where applicable. • Deletes settlement margin and top-up margin.
Section 3	Membership	• A trading member executing cleared transactions must appoint a clearing member or itself be authorised as one. • Minor drafting edit relating to registered officers
Section 8	Clearing	• Adds elective clearing eligibility and CCP novation for bonds. • Introduces daily and intraday mark-to-market for unsettled cleared bond trades. • Applies initial, variation and additional margin, interest and payment flows to cleared bonds. • Separates bond trading fees from CCP clearing fees; removes settlement fees from derivatives payment flows.
Section 9	Settlement	• Creates a dedicated JSE Clear role for cleared bond clearing and risk management. • Adds cleared trade rolling and failed trade processes under JSE Clear rules. • Requires members to notify the Settlement Authority for non-cleared issues, but their clearing member for cleared issues.
Section 10	Conduct of Business	• Deletes obsolete settlement/top-up margin references.
Section 11	Defaults	• Adds failure or expected inability to pay cleared bond margin or failed trade shortfalls as default triggers. • Cleared bond close-out follows JSE Clear rules; the Guarantee Fund is limited to non-cleared bond defaults.
Directive E	Settlement	• Limits failed trade processes and penalties to non-cleared bond trades

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Rules Consultation – Next Steps

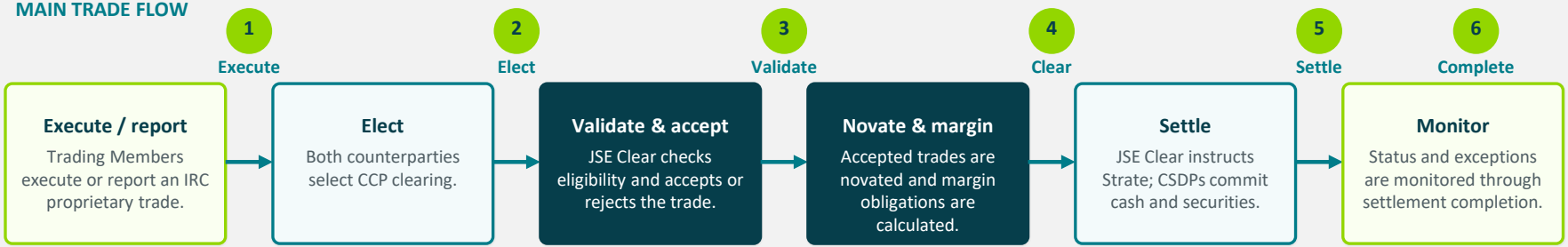
- The proposed updates to the IRC Rules and Directives / JSE Clear Rules and Directives will be circulated for formal consultation shortly. A **Market Notice** will be distributed to alert stakeholders about the kick-off of the consultation process.
- Consultation with the Trading Members:
  - Members will be invited to review and raise comments/queries in relation to the **IRC Rules and Directives changes**.
  - A copy of the proposed changes to the JSE Clear rules will also be provided, **for reference purposes**.
- Consultation with the Clearing Members:
  - Clearing Members will be invited to review and raise comments/queries in relation to the further changes introduced to the **JSE Clear Rules and Directives**.
  - Changes made since the last consultation process will be marked-up for ease of use.
- Each consultation process will run for **10 business days**.
- Once the consultation process has been concluded, the respective JSE / JSE Clear Rules Committees will **submit the revised rules to FSCA**, who in turn will publish the proposed rule amendments for public commentary.

Appendix

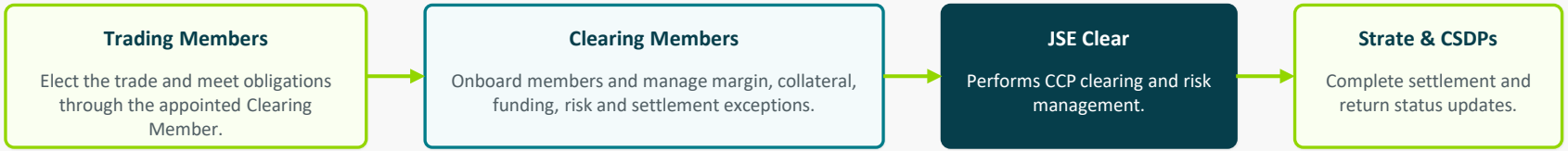
Updated end-to-end operating model

A simple view of the trade journey, the participants involved and the role of Clearing Members.

MAIN TRADE FLOW



WHO SUPPORTS THE TRADE?



Control point: if validation fails, the trade is not accepted or novated into the CCP.

Information returned: trade status, margin requirements, settlement confirmations and exception actions.

Status and settlement information flows back to Trading Members through the relevant market and Clearing Member channels

Settlement monitoring and exception management

The normal settlement process is retained; intervention increases only when settlement is at risk.

STANDARD

Trade committed and settles through the normal Strate process.

JSE Clear and Clearing Member monitor status; no exception action required.

AT RISK

Trade remains uncommitted approaching settlement cut-offs.

Trading Member sources cash or securities; Clearing Member and JSE Clear intensify monitoring.

EXCEPTION

Required cover is not secured and settlement remains at risk.

Clearing Member forces cover on its Trading Member as required; JSE Clear may roll or fail the cleared trade under the applicable rules.

Exact cut-off times and actions must follow the approved JSE Clear Rules, directives and operating procedures.